

laws of the State of Illinois.

- f. The Arbitral Panel shall determine a parties' right to reasonable discovery and the panel shall be authorized to request from any party such information as they deem necessary to resolve the dispute. The parties expressly agree to the consolidation of separate arbitral proceedings or agree to the consolidation of separate arbitral proceedings for the resolution in a single proceeding of all disputes that arise from the same factual situation, and the parties further expressly agree that any issue of arbitrability -- the existence, validity and scope of the agreement to arbitrate -- shall be decided by the Arbitral Panel.
 - g. Time shall be of the essence in any arbitration. Any hearing shall be held as expeditiously as reasonably possible; however, the hearing must commence within ninety (90) days from the selection of the Arbitral Panel. The action of a majority of the members of the Arbitral Panel shall govern, and their decision in writing shall be issued no more than forty (40) days following submission of the matter for decision at the conclusion of the hearing.
 - h. Each party to an arbitration proceeding shall pay its own costs incurred in connection with the arbitration proceedings as well as the costs of the arbitrator selected by or for it. All other costs of the arbitration shall be equally divided between the parties involved in the arbitration.
 - i. Pending a decision by the Arbitral Panel, the parties shall continue to operate under the Agreement as it existed on the date, arbitration was requested. Provided, however, the Arbitral Panel's decision shall be retroactive to the date arbitration was initiated. Any party may apply to a court of competent jurisdiction, pending arbitration, for injunctive relief to preserve the status quo, to preserve assets or to protect documents from loss or destruction, and such application will not be deemed inconsistent with, or operate as a waiver of, the party's right to arbitration.
 - j. The arbitrators' decision shall be final and binding on the parties. Judgment upon the award rendered by the arbitrators may be entered in a court of law having jurisdiction thereof. In the event it is necessary to enforce such award, all costs of enforcement, including reasonable attorneys' fees (for in-house counsel or outside counsel) shall be payable by the party against whom such award is enforced. The parties understand and agree that the arbitration proceedings established in this provision shall be confidential, binding and effective as between the undersigned parties only, and shall not bestow, create or grant any legal rights to any third party.
10. **Relationship.** Each party shall act as an independent entity and neither party shall have the right to act on behalf of the other. This Agreement shall not be construed to create a joint venture, partnership, association or trust, or impose a trust or partnership duty, obligation or liability between the parties.
11. **Waiver.** No waiver by either party of any default by the other in the performance of any provision, condition or requirement herein shall be deemed to be a waiver of, or in any manner release the said party from performance of any other provision, condition or requirement herein; nor shall such waiver be deemed to be a waiver of, or in any manner a release of, said party from

future performance of the same provision, condition or requirement. Any delay or omission of either party to exercise any right hereunder shall not impair the exercise of any such right, or any like right, accruing to it thereafter.

12. **Choice of Law.** The interpretation and performance under this Agreement shall be governed by the laws of the State of Illinois, excluding any conflict of laws rules which would apply the law of another jurisdiction.
13. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements of the parties with respect to such subject matter. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express implied or statutory, between the parties other than those expressly set forth in this Agreement.
14. **Conditions Precedent.** Notwithstanding any provision in this Agreement to the contrary, the obligations of the Parties under this Agreement are contingent upon (i) approval by Nicor's Board of Directors, (ii) the issuance by the Illinois Commerce Commission of an order acceptable to Nicor's Board of Directors (in its sole discretion) authorizing the expansion of the storage capacity of Nicor's Troy Grove storage facility as requested by Nicor, (iii) FERC not asserting jurisdiction over the construction of the Troy Grove facilities and the absence of any other action by FERC that Nicor, in its sole discretion, deems unduly burdensome, and (iv) the construction and placement in service of the Troy Grove expansion facilities. In the event Nicor Gas places the Troy Grove expansion facilities in service after April 1, 2002, the term of this Agreement extend for a period of sixty (60) consecutive months following the actual in-service date provided, however, if the start up or in-service date is delayed beyond July 31, 2002, then the parties' obligations hereunder shall commence effective April 1, 2003.

Agreed to and Accepted By:

For Transporter: Nicor Gas Company

For Shipper: ABC Company

Name: Theodore J. Lenart
Assistant Vice President

Title: Supply Ventures

Name: _____

Title: _____



**PG&E National
Energy Group**

Docket #01-0439
Attachment ENG 1.40

1415 W. 22nd St., Ste. 1150
Oak Brook, IL 60523

630.645.3200
Fax: 630.218.6709
www.neg.pge.com

Mr. Steve Cittadine
Nicor Gas
1844 Ferry Road
Naperville, Illinois 60563

January 29, 2001

Re: Troy Grove Storage Expansion

Dear Steve:

In accordance with our discussions, PG&E National Energy Group is pleased to respond to your solicitation for proposals on the Troy Grove Storage Expansion. In accordance with your term sheet, we have developed our valuation without any modifications at this time. It is our understanding that NGPL (receipt and delivery) and NBPL (receipts) will be primary firm. All other points (including Alliance, Horizon, etc.) will be secondary firm.

Please note that our proposal is considered confidential. After reviewing our proposal, please call me at 630-645-3203 in order to clarify any issues that may exist.

Sincerely,

Robert Culler
PG&E - National Energy Group

1415 W. 22nd St., Ste. 1150
Oak Brook, IL 60523

630.645.3200
Fax: 630.218.6709
www.neg.pge.com

Mr. Steve Cittadine
Nicor Gas
1844 Ferry Road
Naperville, Illinois 60563

February 14, 2001

Re: Troy Grove Storage Expansion

Dear Steve:

In accordance with our discussions, PG&E Energy Trading is pleased to respond to your solicitation for proposals on the Troy Grove Storage Expansion. Our proposal is based on your Storage Service Term Sheet for the Troy Grove Expansion.

Please note that our proposal is considered confidential. After reviewing our proposal, please call me at 630-645-3203 in order to clarify any issues that may exist.

Sincerely,



Robert Culler
PG&E - Energy Trading

NORTHERN ILLINOIS GAS COMPANY d/b/a NICOR GAS COMPANY
RESPONSE TO:
ILLINOIS COMMERCE COMMISSION
DATA REQUEST
DOCKET NO. 01-0439

ENG 1.41 Q. Please provide the original capital cost for the investment in the Troy Grove Storage Field at the end of calendar year 2000. Include the capital cost of the transmission system from Troy Grove to the Nicor Gas market area.

ENG 1.41 A. The original capital cost for the investment in the Troy Grove Storage field at the end of calendar year 2000 is \$55,966,000. The estimated original capital cost of the transmission system from Troy Grove to the Nicor Gas market area at the end of calendar year 2000 is \$22,539,000.

Responsible Party: Lonnie W. Upshaw

NORTHERN ILLINOIS GAS COMPANY d/b/a NICOR GAS COMPANY
RESPONSE TO:
ILLINOIS COMMERCE COMMISSION
DATA REQUEST
DOCKET NO. 01-0439

ENG 1.42 Q. Please provide a detailed analysis to support Nicor Gas's response to Staff Data Request ENG 1.31 that states, "to the extent displacement occurs, no O&M costs are expected to be incurred." Please provide Nicor Gas' estimate of the deregulated storage service activity for both injection and withdrawal volumes for a calendar year. Also, please provide Nicor Gas' estimate of its yearly injection and withdrawal volumes from Troy Grove for regulated utility service for the last five calendar years.

ENG 1.42 A. The Troy Grove expansion project will utilize displacement of injection/withdrawal volumes during a calendar year to the extent operations permit. As the volumes of gas nominated for injection displace volumes nominated for withdrawal, or displace on system storage injection/withdrawal volumes, it is likely that the net operational effect of injection/withdrawal activities should decrease. When displacement occurs, operational activity should be reduced, therefore, less O&M cost should be incurred.

Nicor Gas is unclear as to the meaning of the term de-regulated storage service as all of the services will be regulated by either the Commission or FERC. However, storage service supplied to off-system markets under the proposed expansion of Troy Grove will be restricted to the example provided in ENG 1.18. The actual activity cannot presently be estimated.

Total Troy Grove Volumes
Mmbtu's

	<u>Injections</u>	<u>Withdrawals</u>
2000	42,252,118	47,803,843
1999	45,244,539	44,869,921
1998	39,792,923	37,537,294
1997	41,296,945	39,113,551
1996	43,560,934	42,361,869

Responsible Party: Lonnie W. Upshaw

NORTHERN ILLINOIS GAS COMPANY d/b/a NICOR GAS COMPANY
RESPONSE TO:
ILLINOIS COMMERCE COMMISSION
DATA REQUEST
DOCKET NO. 01-0439

ENG 1.46 Q. Nicor Gas historically provided storage services from its Illinois Commerce Commission regulated facilities to off-system customers under an approved FERC tariff. Fully explain and discuss the regulatory and legal authority for Nicor Gas to operate in this matter. Why could Nicor Gas not operate the proposed Troy Grove expansion in this matter?

ENG 1.46 A. Nicor Gas and other intrastate local distribution companies were issued a blanket certificate by the FERC, in Docket No. CP92-481-000 to provide interstate pipeline services under the Natural Gas Policy Act. Additionally, in Docket No. PR99-18-000, FERC approved Nicor Gas' Operating Statement, under which the Company currently offers interstate storage and transmission services.

As stated in the Company's direct testimony, it would be possible for the Company to attempt to sell expanded storage capacity off-system in the same manner as currently. However, as ordered by the Commission in the Company's last general rate case, Docket No. 95-0219, the accounting treatment of revenues received from off-system storage services requires the revenues to be included in Rider 6, Gas Supply Cost. The Company is proposing a change in this accounting treatment with respect to the expansion of Troy Grove so that it will have an economic incentive to expand Troy Grove, as explained in the Company's Testimony. The expansion would, in turn, provide both direct and indirect benefits to all its sales customers.

Responsible Party: Lonnie W. Upshaw

**NORTHERN ILLINOIS GAS COMPANY d/b/a NICOR GAS COMPANY
RESPONSE TO:
ILLINOIS COMMERCE COMMISSION
DATA REQUEST
DOCKET NO. 01-0439**

ENG 1.47 Q. Please provide a copy of all FERC tariffs that Nicor Gas proposes to utilize for the Troy Grove storage field expansion project.

ENG 1.47 A. See attached.

Responsible Party: Lonnie W. Upshaw

**Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS**

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Operating Statement of Nicor Gas Company
under 18 C.F.R. Section 284.224

This Operating Statement describes how Northern Illinois Gas Company ("Nicor Gas" or "Transporter"), an intrastate natural gas distribution utility, will provide interstate interruptible transportation and storage services, interstate firm transportation and storage services, and interstate parking and loaning services (collectively, "Hub Services"), on a non-discriminatory basis, pursuant to 18 C.F.R. § 284.224 of the Federal Energy Regulatory Commission's ("FERC's") rules and regulations.

Nicor Gas is an intrastate natural gas distribution public utility engaged in the business of selling and distributing gas to more than 1,900,000 end users in the State of Illinois. Nicor Gas' service area covers 17,000 square miles and 544 communities in northern Illinois, including the metropolitan area located outside the City of Chicago. Nicor Gas owns and operates a natural gas transmission, underground (aquifer) storage and distribution system network which has more than 90 interconnections with six (6) interstate natural gas pipelines. These intrastate natural gas distribution operations are subject to the jurisdiction of the Illinois Commerce Commission.

Nicor Gas' system is well situated geographically to provide interruptible Hub Services, comprised of short-term interruptible transportation, storage and park and loan transactions. In addition to these interruptible services, Nicor Gas may, from time to time, have limited amounts of storage and transportation capacity which can be offered to potential Shippers on a firm basis, but only for defined periods of time. Shippers using either storage or parking and loaning services do not have the right to designate the points of storage; Nicor Gas uses all of its existing facilities to fulfill obligations which it enters into pursuant to this Operating Statement; provided, however, in order to provide firm storage service, Nicor Gas may require a Shipper to use specific storage facilities. All Hub Services are provided pursuant to the blanket certificate authorization granted to Nicor Gas on October 20, 1992, by order of the FERC in Docket No. CP92-481-000, and pursuant to rates submitted to FERC for approval pursuant to Section 284.123(b)(2) of the FERC's regulations. Consistent with the FERC's long-standing objective to bring more buyers and sellers of natural gas together to increase overall market competition for natural gas supplies, Hub Services enable Shippers to use Nicor Gas' facilities as a market hub to facilitate gas ownership transfers while also receiving transportation and storage services.

Nicor Gas reserves the right not to offer or commence any service, or to discontinue any interruptible service, where, in Nicor Gas' sole discretion, any impairment of intrastate firm service, including the ability to use storage to support intrastate firm services and gas purchases for intrastate firm services, could otherwise result. Nicor Gas also reserves the right to modify this Operating Statement as it may deem necessary and appropriate at any time in the future.

**Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS**

Section 1. Definitions.

- 1.1 The term "Btu" shall mean British Thermal Unit, and the term "MMBtu" shall mean one million (1,000,000) Btu's.
- 1.2 The term "Business Day" shall mean a normal business day, and regular hours of business on such days, as normally associated with the days Monday through Friday of each week, inclusive, but excluding any federal holidays.
- 1.3 The term "Capacity" shall mean the maximum total quantity of gas which a firm storage Shipper may have in storage at any time, expressed in MMBtu's. Unless otherwise specified in an executed Firm Storage Agreement, a Shipper will not have the right to reinject gas into Capacity made available by firm withdrawals.
- 1.4 A "cubic foot of gas" for the purpose of measurement of the gas delivered hereunder is the amount of gas necessary to fill a cubic foot of space at an absolute pressure base of fourteen and seventy-three hundredths pounds per square inch (14.73) and at a temperature of sixty (60) degrees Fahrenheit.
- 1.5 The term "day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at nine o'clock a.m. (9:00 a.m.), Central Clock Time ("CCT"), or such other period consisting of twenty-four (24) consecutive hours as the parties may agree upon.
- 1.6 The term "Deliverability" shall mean a firm storage service Shipper's maximum daily quantity or MDQ for storage withdrawals, expressed in MMBtu's. This amount may vary over the term of a firm storage service.
- 1.7 The term "Delivery Point" shall mean the point or points on the Hub where Transporter shall deliver gas to a Shipper.
- 1.8 The term "Firm Injection Right" shall mean the maximum daily quantity or MDQ for firm storage service injections, expressed in MMBtu's. This amount may vary over the term of a firm storage service.
- 1.9 The term "gas" shall mean natural gas as produced in its natural state that meets the quality standards contained in these General Terms and Conditions.
- 1.10 The term "Hub" shall collectively mean Nicor Gas' intrastate natural gas transmission and underground gas storage facilities, sometimes referred to as "general system facilities," and point(s) of interconnection of those facilities with the facilities of any interstate natural gas pipeline.
- 1.11 The term "Hub Service Agreement" shall mean the agreement by and between any Shipper and Transporter to enter into Hub Service transactions, the form of such agreement as prescribed by these General Terms and Conditions.
- 1.12 The term "Hub Services" shall mean interruptible and firm interstate transportation service, interruptible and firm storage service, and parking and loaning service, as each may be offered to Shippers hereunder from time-to-time under Transporter's blanket certificate, and shall not include any services available from Transporter under tariffs and rates subject to the jurisdiction of the Illinois Commerce Commission.
- 1.13 The term "Hub Taxes" shall mean any tax (other than ad valorem (unless levied on gas subject to a Hub transaction), income or excess profit taxes), license, fee or charge not included in the cost of service used to derive the maximum rates hereunder and which is levied, assessed or made by any governmental authority on the gas itself or on the act, right or privilege of producing, severing, gathering, storing, transporting, handling, selling or delivering gas and which is measured by the volume, value, or sales price of gas subject to a Hub transaction.

**Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS**

- 1.14 The term "Hub Transaction Request and Agreement Form" shall mean the document whereby a Shipper with an executed Hub Service Agreement formally requests the scheduling of a Hub Service and Transporter subsequently authorizes the furnishing of the service, the form of which request and agreement is prescribed by these General Terms and Conditions.
- 1.15 The term "Loan" or "Loaning" shall mean the component of a Parking and Loaning transaction under which Transporter, on an interruptible basis, delivers gas to a Shipper for subsequent redelivery by that Shipper to Transporter, pursuant to a Hub Services Service Agreement and a Hub Transaction Request and Agreement Form. Loaning shall be provided as defined in Section 2.15.
- 1.16 The term "Maximum Daily Quantity" or "MDQ" shall mean the maximum volume of gas that the Transporter will accept from Shipper on any day for the transportation and/or storage service offered hereunder.
- 1.17 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas.
- 1.18 The term "month" shall mean a period beginning on the first day of a calendar month and extending to the first day of the next following calendar month.
- 1.19 The term "Park" or "Parking" shall mean the component of a Parking and Loaning transaction under which Shipper, on an interruptible basis, delivers gas to Transporter, for subsequent redelivery by Transporter to Shipper, pursuant to a Hub Service Agreement and a Hub Transaction Request Form. Parking shall be provided as defined in Section 2.15.
- 1.20 The term "Park and Loan" or "Parking and Loaning" shall mean the temporary placement on Transporter's system of gas on an interruptible basis and the temporary removal of gas from Transporter's system on an interruptible basis.
- 1.21 The term "Receipt Point" shall mean the designated point or points on the Hub where Transporter shall receive gas from a Shipper.
- 1.22 The term "Shipper" shall mean an eligible party electing and subsequently having the necessary authorization of Transporter to use any of the services offered hereunder.
- 1.23 The term "Storage" shall mean Transporter's scheduled retention of a Shipper's gas on the Hub, such retention arising from any scheduled difference between the scheduled daily Hub receipt and delivery associated with transportation service on any given day. For the purposes hereof, one day shall be deemed to be the minimum time interval for "storage" service hereunder.
- 1.24 The term "thermally equivalent" shall mean an equal amount of heating value, expressed in MMBtu's and measured under specifications and conditions contained hereunder.
- 1.25 The term "title transfer" shall mean the transfer of title of gas from one Shipper to another Shipper in accordance with Section 2.16 herein.
- 1.26 The term "Transfer Point" shall mean any point(s) within the Hub where a transfer in title of gas ownership or other transfer occurs from one Shipper to another Shipper.
- 1.27 The term "Transportation" shall mean the Hub's receipt of gas from a Shipper at a Receipt Point or Transfer Point and Transporter's delivery of that gas to a Hub Delivery Point or another Transfer Point on a coincidental time (day) basis.
- 1.28 The term "Transporter" shall mean Nicor Gas, but nothing herein shall prevent Nicor Gas from designating an agent to act on its behalf to handle the necessary service scheduling, billing, credit checks and any notices in connection with service hereunder.

**Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS**

Section 2. Hub Services.

2.10 Hub Services.

Subject to Transporter's determination that it has available capacity, Transporter will offer, in limited volumes, firm or interruptible interstate transportation, firm or interruptible interstate storage service and parking and loaning services to any prospective, eligible Shippers on a non-discriminatory basis. Hub Services do not include any services that are subject to the jurisdiction of the Illinois Commerce Commission. All transportation and storage gas received by the Hub shall be accounted for on a daily basis and must be scheduled for the eventual redelivery of such gas off the Hub to a designated Delivery Point. Except for any service provided under Sections 2.13 and 2.14 hereof, service hereunder shall be exclusively interruptible in nature and subordinate to any and all firm services supplied by Transporter's intrastate natural gas distribution utility operations, including the management of Transporter's system and the use of storage to support its firm sales and transportation services. Except for those amounts of firm storage or firm transportation service which Transporter may designate from time to time pursuant to Sections 2.13 and 2.14 hereof, Transporter is not holding itself out to provide any firm service hereunder.

2.11 Interruptible Transportation Service.

Any eligible Shipper may engage Transporter to transport gas hereunder, on an interruptible basis, from any designated Receipt Point and/or Transfer Point to any designated Delivery Point and/or Transfer Point. Transportation for each Shipper shall be considered a separate service transaction hereunder, requiring a separate Hub Service Agreement and a separate Hub Transaction Request Form as hereinafter provided. All such transportation service shall be recorded and accounted for on a daily basis.

A Shipper shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub.

Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in charges for both Interruptible Storage Service and the unauthorized use of service, as hereinafter described.

2.12 Interruptible Storage Service.

Any eligible Shipper may engage Transporter to provide interruptible storage service; such service may be either positive storage service or negative storage service and shall be scheduled pursuant to these General Terms and Conditions. Storage for each Shipper should be considered a separate service transaction, requiring a separate Hub Service Agreement and a separate Hub Transaction Request Form. For the purposes hereof, positive storage service shall mean the tender of gas by Shipper to Transporter for purposes of storage on the Hub and the subsequent redelivery of an equivalent gas volume by Transporter to Shipper. Negative storage service shall mean the Transporter's delivery of gas to any Shipper from Hub storage in advance of any equivalent gas volume being tendered by such Shipper to Transporter for replacement of gas taken from Hub storage. Regardless of the number of days any quantity of gas is stored in, or is outstanding from, Transporter's Hub storage, the applicable Shipper must be prepared to withdraw gas from Hub storage or deliver gas to Hub storage, as appropriate, on any day as may be scheduled by Shipper and Transporter, or at any other time as Transporter may otherwise order hereunder.

Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS

Docket #01-0439
Attachment ENG 1.47

All interruptible storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes from the Shipper's Hub storage service account. Gas shall be deemed to have been stored on the Hub when Transporter's recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same day. Gas shall be deemed to have been withdrawn from storage when Transporter's recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any day. All interruptible storage service volumes shall be accounted for on a day-to-day basis and the Shipper shall be charged accordingly for such storage service. In the event of multiple transfers of title to any gas quantity in storage, the last Shipper with title to such gas on any day shall be responsible for the daily storage service charges attributed to that day. In the event of any change or multiple changes in gas ownership within the Hub, the last storage service Shipper with title to such gas shall be responsible for the transportation service required to move any stored volume off the Hub.

2.13 Firm Storage Service.

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm storage service, specified as levels of Deliverability, Firm Injection Rights and Capacity, for defined periods of time, without impairing Transporter's ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter's system and the use of storage to support its intrastate firm sales, storage and transportation services. (Such service may be either positive storage service or negative storage service; positive and negative storage service shall have the meanings set forth in Section 2.12 hereof.) Transporter shall not offer such firm storage service, or renew any such service upon the expiration of any primary contract term, unless Transporter determines that such offering of service or continuation of service will not impair Transporter's ability to maintain adequate firm services for its intrastate public utility operations and for any existing interstate firm storage services. When offering firm storage service hereunder, Transporter may determine that such service can only be provided at specific storage facilities or for defined periods of time.

All firm storage service hereunder shall require corresponding interruptible or firm transportation service to effectuate the movement of storage volumes from any Shipper's Hub storage service account. Gas shall be deemed to have been stored on the Hub when Transporter's recorded transportation receipts from any Shipper exceed the recorded deliveries to that Shipper, if any, on the same day. Gas shall be deemed to have been withdrawn from storage when Transporter's recorded transportation deliveries to any Shipper exceed the recorded receipts from that Shipper on any day.

- 2.13.1** Once Transporter has executed a Hub Service Agreement for Firm Storage Service to provide a defined amount of firm storage service for a defined period of time, that service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of storage, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of storage for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, any other occurrences which reduce Transporter's capacity, injection capability or Deliverability, or an event of force majeure, and (ii) curtail scheduled volumes due to any event of force majeure. A firm storage Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.

**Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS**

2.13.2 Requests to schedule firm storage service hereunder shall be authorized pursuant to Section 2.13.1, which, for this purpose, shall supersede section 2.40. Requests to enter into Hub Service Agreements for firm storage service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel charges to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a discount. Section 2.40 shall apply once Transporter determines if it can provide firm storage services, but shall not be construed to limit or subordinate the rights of a firm storage Shipper to the extent and for the term during which Transporter has determined that it can provide firm storage service and has executed a Firm Storage Agreement to provide storage service. Any firm Shipper shall be subject to the Fuel Charge Determination set forth in Section 5.10 hereof. A firm Shippers's obligation to pay the charges set forth in its Service Agreement with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 17.8 hereof, the term of any Firm Storage Agreement for firm storage service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to the use of a specific storage facility, in which event scheduling and curtailment shall be based upon the capacity at that facility only.

2.14 Firm Transportation Service.

From time to time, Transporter may determine that it has the ability to offer defined amounts of firm transportation service, specified as the levels of capacity within designated paths (as defined by Receipt Points, Transfer Points and Delivery Points), for defined periods of time without impairing Transporter's ability to provide all firm services in connection with its intrastate natural gas distribution utility operations, including the management of Transporter's system and the use of storage to support its intrastate firm sales, storage and transportation services. Section 2.40 shall apply once Transporter determines if it can provide firm transportation services, but shall not be construed to limit or subordinate the rights of a firm transportation Shipper to the extent and for the term during which Transporter has determined that it can provide firm transportation service and has executed a Firm Transportation Agreement to provide transportation service. All such transportation service shall be recorded and accounted for on a daily basis. Any Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. Any failure by a Shipper to schedule transportation for any daily volume of gas to be moved away from the Hub shall result in charges for Parking and Loaning Service for the day the failure took place and the unauthorized use of service pursuant to Section 5.12.

2.14.1 Transporter shall analyze its system requirements prior to executing a Hub Service Agreement for Firm Transportation Service, and shall not accept a firm transportation Shipper's designation of primary points if it determines that it cannot provide the service. Once Transporter has executed a Hub Service Agreement for Firm Transportation Service to provide a defined amount of firm transportation service for a defined period of time, that service shall, during its term, be scheduled and curtailed on an equal basis with other firm uses of transportation, including firm intrastate transportation, based on allocating such capacity which is available on a pro rata basis among all firm interstate services and all uses by Transporter of transportation for and to support firm intrastate services. This equal treatment shall apply to both the scheduling of volumes and any curtailment of volumes once scheduled. Subject to this pro rata treatment, Transporter may (i) refuse to schedule volumes if so prevented by scheduled maintenance, occurrences which reduce Transporter's capacity, and (ii) curtail scheduled volumes due to any event of force majeure. A firm transportation Shipper shall nominate volumes for scheduling by executing the forms and following the procedures specified by Transporter.

Nicor Gas Chicago Hub
GENERAL TERMS AND CONDITIONS

2.14.2 Requests to schedule firm transportation service hereunder shall be authorized pursuant to Section 2.14.1, which, for this purpose, shall supersede section 2.40. Requests to enter into agreements for firm transportation service shall be authorized on the basis of the highest net present value per MMBtu of MDQ of total non-fuel charges to be assessed for the firm service over its term, provided that nothing shall require Transporter to offer service at a discount. Section 2.40 shall apply once Transporter determines if it can provide firm transportation services, but shall not be construed to limit or subordinate the rights of a firm transportation Shipper to the extent and for the term during which Transporter has determined that it can provide firm transportation service and has executed a Firm Transportation Agreement to provide such transportation service. Any firm Shipper shall be subject to the Fuel Charge Determination set forth in Section 5.10 hereof. A firm Shippers's obligation to pay the charges set forth in its Service Agreement with Transporter shall not be subject to adjustment for any failure of Transporter to provide service due to an event of force majeure or the need to perform maintenance or by any event of force majeure or other cause affecting such firm Shipper. Notwithstanding Section 17.8 hereof, the term of any Firm Transportation Agreement for firm transportation service shall not extend beyond the primary term set forth therein unless both Transporter and Shipper expressly extend the term in writing. Shipper's rights to service may be limited to use a specific delivery and receipt point transportation path, in which event scheduling and curtailment shall be based upon the capacity at that facility only. All notices and other documentation shall be provided directly to Transporter.

2.15 **Parking and Loaning Service.**

Subject to Transporter's determination that is has available capacity, Transporter shall offer parking and loaning service to eligible Shippers on a non-discriminatory basis. Any eligible Shipper shall submit a request for parking or loaning service to Transporter, and Transporter shall respond to such request pursuant to Section 2.30. If Shipper is not a party to a Hub Service Agreement, such request shall be treated as a request to enter into such a service agreement. Additionally, if the Shipper is not a party to a parking and loaning service agreement, such request shall be treated as a request to enter into such a service agreement in the form of a Hub Service Agreement and a Hub Transaction Request Form. This request shall include the following information: (a) day or days on which Shipper wishes to park gas on Transporter's system or redeliver gas previously loaned to Shipper by Transporter; (b) day or days on which Shipper wishes to take delivery from transporter of gas previously parked on Transporter's system or take delivery from Transporter of gas being loaned by Transporter; (c) delivery point(s) and receipt point(s) for each transaction described in subparts (a) and (b); and (d) quantity of gas on each day to be parked, loaned or redelivered as described in subparts (a) and (b). A Shipper hereunder shall be responsible for arranging the necessary interstate pipeline transportation to move gas to and/or away from Transporter's Hub. If, at the end of the parking and loaning service agreement term, a Shipper has a positive or negative parking and loaning account balance, the Shipper shall be subject to cashout pursuant to Section 5.15. No separate transportation service is required in conjunction with a Parking and Loaning Service.

2.16 **Title Transfers.**

Transporter's Hub will accommodate title transfers for gas on the Chicago Hub, and Transporter will handle the necessary paperwork to account for such ownership changes occurring while any quantity of gas is being transported and/or stored for Shippers hereunder. No such title transfers shall be allowed hereunder unless each party to which ownership and title is being transferred has executed a valid and approved Hub Service Agreement and Hub Transaction Request Form. Each owner, or duly authorized agent acting on behalf of such owner, shall become obligated hereunder as a separate Shipper, subject to all of the requirements hereof.

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2.20 Eligibility.

Any Shipper shall be eligible for the services offered hereunder upon meeting all the terms and conditions specified herein and upon the execution of a valid and approved Hub Service Agreement by Shipper and Transporter.

2.30 Requests for Service.

A Shipper must execute a Hub Service Agreement with Transporter before it can schedule or nominate any service with Transporter. Thereafter, all requests to schedule service hereunder may be made verbally, and must be reduced to writing, in the form of a Hub Transaction Request and Agreement Form, by close of the next business day. Any direct telephone facsimile transmission to Transporter of a Hub Transaction Request Form signed by an authorized representative of Shipper and setting forth the details of any service request or nomination, shall satisfy the requirement that all such requests be submitted in writing. Transporter may require daily service nominations or changes in daily service nominations from any Shipper via telephone facsimile transmission of a form provided for that purpose. No such daily service nominations or changes in daily service nominations may exceed the overall maximum service limits prescribed by the Hub Transaction Request Form as then in effect for the Shipper. Transporter reserves the right, upon giving proper notice to a Shipper, to record any or all telephone calls relating to any request for service and to use such telephone recordings to resolve any disputes arising from that Shipper's request.

Requests for service shall be made directly to Transporter or to its duly authorized agent. All requests for service must be received by Transporter or its agent in sufficient time to allow Transporter to finalize its nominations and confirmations in compliance with the advance notice requirements of any transporting interstate natural gas pipeline being relied upon to move gas to or from the Hub.

Each request for service shall be sufficiently clear and provide all information as required by Transporter's Hub Transaction Request Form, including (1) the rates agreed upon for the Hub Service(s) to be provided, (2) the maximum daily quantity or quantities to be transported, (3) the day and dates when such service is expected to commence and to terminate, (4) the point(s) at which the Hub is expected to receive and/or make deliveries of such gas, (5) the exact legal name of any other party designated to receive or acquire gas by way of any ownership transfer(s) on the Hub, (6) the volumes of any gas to be stored on the Hub and dates of such storage service, and (7) any other information required to satisfy Transporter's reporting obligations to FERC. Requests for firm storage service shall also specify the Capacity, Deliverability and Firm Injection Rights requested.

2.40 Authorization and Scheduling of Interruptible Service Requests.

All requests to schedule interruptible service, or to schedule any overrun volumes under firm storage or transportation services, shall, subject to limits imposed by Transporter on interruptible volumes and Transporter's right to refuse to schedule any discounted interruptible services, be authorized on a non-discriminatory basis in order of highest rates agreed to be paid (within limits of the maximum rates prescribed hereunder) by any Shipper. Additional rules, set forth in Section 2.13.1, 2.14.1 and 2.15, apply to the scheduling of firm storage or transportation requests. In the event of any ties, volumes shall be scheduled in order of the time and date, as verified by Transporter, when a Shipper's Hub Transaction Request Form was received. In case of any ties relating to time and date of any requests for service, then the time and date when any Shipper's Hub Service Agreement was received shall govern the order in which authorizations of service shall be granted hereunder. For purposes of this Section, a request for service which was transmitted orally shall be deemed to be received as of the time and date of such oral communication only if such request is confirmed in writing by close of the next business day. Any further ties shall be resolved by lottery. All service authorizations hereunder shall be granted solely on the condition that Transporter has determined that it has adequate capacity to serve Shipper's request for transportation and/or storage service.

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2.41 Processing of Service Requests.

Transporter shall verbally respond to each request to schedule service hereunder, either (1) that Shipper is authorized to commence the service(s) requested, (2) that Transporter cannot provide such service(s), or (3) that Transporter will not provide such services at the discounted rate requested by Shipper. Transporter, or its duly authorized agent, shall use reasonable best efforts to respond verbally to all such service requests as soon as possible, and shall follow such response with written confirmation either by telephone facsimile transmission or by U. S. Mail. Written acceptance by Transporter to provide any firm storage service hereunder shall be in the form of a Firm Storage Agreement which specifically sets forth the agreed upon terms of the firm storage service to be supplied, including the applicable levels of Deliverability, Capacity, Firm Injection Rights, and any reinjection rights. Written acceptance of any interruptible transportation or interruptible storage service shall be in the form of a final acceptance and execution of the Hub Transaction and Agreement Request Form prescribed by these General Terms and Conditions. For the purposes hereof, each executed Hub Transaction and Agreement Request Form shall be considered a separate and individual service transaction which cannot be altered or amended, except by submitting revised daily nominations within the limits of an effective Hub Transaction Request Form pursuant to Section 2.30 hereof, or by executing a revised Hub Transaction Request Form.

Nothing contained herein shall be construed to mean that any or all services requested shall be supplied, or that Transporter has any standing obligation to provide service (a) other than interruptible service, which for the purposes hereof shall be subordinate to any and all firm services provided by Transporter as part of its intrastate natural gas distribution utility operations, or (b) under any terms which in Transporter's sole discretion may jeopardize its ability to render adequate and reliable services for its intrastate natural gas distribution utility operations. Once a daily Hub transaction is confirmed and authorized hereunder, Transporter agrees to supply such service subject to the terms hereof and subject to the scheduling and confirmation procedures and any operational flow orders or curtailment of any upstream or downstream pipeline serving the Hub, or other similar event, which might prevent Transporter from furnishing such service as authorized.

Section 3. Facilities.

Transporter shall not be obligated to construct, add, alter or modify any facilities to receive and/or deliver gas, or provide any other service hereunder.

Section 4. Service Subject to Interruption.

4.10 Interruptions by Transporter.

Subject to Sections 2.13.1 and 2.14.1 in the case of firm services, Transporter will authorize service on any day for any Shipper that has executed a Hub Service Agreement only if, within Transporter's best operating judgement and discretion, such service is not otherwise expected to prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, including Transporter's system management needs, such as the use of storage. If Transporter determines that it can provide interruptible service, service shall be scheduled pursuant to Section 2.40. In the event that interruptible service has already commenced and Transporter learns that the continued furnishing of service may prevent Transporter from meeting all of its firm service obligations as an intrastate natural gas distribution utility, then Transporter may, at its sole discretion and upon giving appropriate four hours prior notice to Shipper(s), interrupt the continuation of any or all of the interruptible services hereunder. For the purposes hereof, any interruption of service shall mean the cancellation or cessation of any scheduled daily gas transportation receipt or delivery, or Transporter's ordered withdrawal of any Shipper's gas from Hub storage, until further notice; provided, however, if any such interruption by Transporter results in an unscheduled storage of gas on any day for Shipper(s), then Transporter shall retain such gas until service can be resumed as originally scheduled, and Transporter shall waive any additional storage charges otherwise incurred solely because of such interruption.

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4.11 Interruptions Caused by Others.

If service hereunder is interrupted for any reason other than as provided by Sections 4.10 and 14 hereof, and if such interruption results in the unscheduled use of storage service, then such service shall be subject to the maximum charges of Sections 5.12 and 5.13 hereof, unless a discounted rate is agreed to in writing by Transporter. In the event that Shipper is ordered to withdraw storage volumes under Section 4.10, or is otherwise obligated to withdraw such storage volumes, and Shipper fails to make such withdrawals, then Shipper's additional use of storage service shall be subject to the maximum daily storage rates prescribed herein, unless a discounted rate is agreed to in writing by Transporter.

Section 5. Rates and Adjustments to Rates.

5.10 Rates.

The rates for service hereunder shall be established between Transporter and Shipper, and Transporter may periodically offer non-discriminatory discounting of maximum rates, but such discounted rates shall not exceed the applicable maximum rates, if any, approved hereunder by the Federal Energy Regulatory Commission ("FERC") from time-to-time for the type of service rendered. The currently effective minimum and maximum charges for Hub Services offered hereunder are as hereinafter set forth in the Statement of Rates of these General Terms and Conditions.

Minimum Charge: Absent the written agreement of Transporter, each service transaction hereunder with any single Shipper shall be subject to a minimum daily charge of \$50.00.

Fuel Charge Determination: The charge for fuel for firm and interruptible Shippers shall be zero, unless (1) the furnishing of service hereunder will cause Transporter to use incremental fuel for compression and (2) the Shipper is notified, in advance of any service being furnished, of such need for incremental fuel and the associated charge for such fuel, in which case Shipper shall pay the fuel charge specified herein. For the purposes hereof, any charge for fuel shall be determined and applied on a non-discriminatory basis to both firm and interruptible Shippers, but shall not exceed a maximum charge per MMBtu, applicable to any Shipper's service volume, determined by multiplying the decimal equivalent of two percent (2.0% or the decimal equivalent of 0.02) by the variable commodity cost component of Transporter's applicable Rider 6, Gas Supply Cost under Transporter's Rate Schedule as on file and in effect from time-to-time with the Illinois Commerce Commission. [Note: Such maximum fuel charge for July 1999 would be \$0.0490 per MMBtu based on two percent (2%) of Nicor Gas' Rider 6 GSC variable commodity cost component (\$2.45 per MMBtu).]

5.11 Adjustments to Rates.

Transporter reserves the right to seek authorization from the FERC to increase, decrease, or restructure the maximum rates (including market-based rates) charged for service hereunder, including any associated charge(s) for fuel, to assure Transporter's right to charge and collect "fair and equitable" rates under the FERC's applicable rules and regulations. Nothing herein contained shall be construed to deny any Shipper any rights which it may have under the FERC rules and regulations, including the right to participate fully in rate proceedings by intervention or otherwise to contest changes in rates charged and/or these General Terms and Conditions.

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5.12 Charges for Unauthorized Use of Service.

In the event of any unauthorized receipt or delivery of gas transportation or storage volumes hereunder, the Shipper causing such unauthorized use of service shall be charged the greater of (1) any applicable pipeline penalty or penalties incurred by Transporter as a result or (2) a charge of \$10.00 per MMBtu of unauthorized service, such charge being in addition to all other maximum charges for such service as set forth in these General Terms and Conditions; provided, however, nothing herein shall prevent Transporter from waiving such charge, or any portion thereof, on a non-discriminatory basis.

5.13 Monthly Imbalances -- Fees.

If, in any calendar month, Transporter redelivers any gas to a Shipper and it is subsequently discovered that the Shipper had not previously provided such gas to the Hub, or no such gas was supplied to the Hub by any other party on Shipper's behalf, then Shipper shall reimburse Transporter for the cost of replacement gas, which replacement cost shall be based upon the greater of (1) the amount per MMBtu which a shipper is required to pay under the terms of the tariff of Natural Gas Pipeline Company of America ("Natural") to resolve, through cash-out, monthly underage imbalances in excess of five percent (5%) but less than ten percent (10%), or (2) Transporter's actual cost for such imbalance as incurred with an interstate pipeline or pipelines; provided, however, Transporter, at its sole discretion, may allow Shipper to resolve any imbalances by (a) making up such imbalance in kind during a period and at a rate specified by Transporter, and (b) paying Transporter an agreed-upon rate not to exceed the maximum daily storage charge for each day of such imbalance.

5.14 Other Services.

Transporter may at any time elect to provide services other than those prescribed herein, including firm and/or interruptible transportation or storage services at rate(s) different from the maximum rate or rates prescribed and approved herein, and nothing herein shall obligate or require Transporter to offer such other service, or to continue to offer such other service if ever implemented.

5.15 Cash-Out of Storage Balance

If a Shipper has purchased storage service from Transporter and at any time the outstanding balance owed with respect to Shipper's volumes remaining in storage exceeds the product of (a) the volumes in MMBtu's remaining in storage for the account of Shipper, and (b) the amount per MMBtu which a shipper is required to pay under the terms of the tariff of Natural Gas Pipeline Company of America ("Natural") to resolve, through cash-out, monthly overage imbalances greater than five percent (5%) and less than 10 percent (10%) (such product to be known as the "Cash-Out Value"), then, upon two business days' written notice to Shipper, Transporter may elect, at its sole discretion, to purchase such volumes from Shipper at the Cash-Out Value and to offset the amounts owed by Shipper by the Cash-Out Value; provided, Shipper may prevent such purchase by (a) agreeing in writing, by the end of the two business days' notice period, to pay the amount owed to Transporter, and (b) paying such amounts within two business days after giving Transporter such written election.

Section 6. Regulatory Requirements.

Any and all service transactions hereunder must be interstate service eligible under, and shall be fully subject to, the applicable requirements of Section 284.224 of the FERC's rules and regulations, Shipper's request for service shall constitute its warranty that Shipper satisfies such requirements, and Transporter shall have the right to request information from any Shipper to verify the eligibility thereunder.

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Section 7. Pressures.

Transporter shall operate its Hub facilities at pressures which will normally permit the receipt and delivery of volumes scheduled for service(s) hereunder; provided, however, Transporter may elect, at its sole discretion, to effectuate such receipts and deliveries through the scheduling and nomination of volumes at the interconnection of its Hub facilities with an interstate pipeline. Under no circumstances shall Transporter be obligated to receive or deliver gas hereunder at pressures exceeding the maximum allowable operating pressures prescribed under any applicable governmental regulations; nor shall Transporter be required to make any physical deliveries which its existing Hub facilities cannot accommodate.

Section 8. Measurement.

All readings and registrations with respect to daily receipt and delivery volumes and average daily heating values shall be as for times nominated and recorded by the gas measuring equipment of the applicable interstate natural gas pipeline to determine thermally equivalent volumes relating to the services supplied hereunder.

Section 9. Quality.

All natural gas received by or delivered from the Hub shall be of pipeline quality gas and shall meet the quality specifications, as required from time-to-time, of the interstate natural gas pipeline transporting such gas into or from the Hub.

The average heating values of gas for a transporting interstate natural gas pipeline shall be the basis for determining the number of MMBtu's received and delivered, and for any volumes stored on the Hub, for any day hereunder.

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Section 10. Billing, Accounting, Taxes and Reports.

10.1 Billing.

No later than the tenth (10th) day of each month, Transporter shall render an invoice to any Shipper receiving any service hereunder during the immediately preceding month. Such invoice shall identify the actual daily volumes associated with each such service transaction. In the event that actual volumes are not available to facilitate the rendering of such monthly statement by the tenth (10th) day of each month, Transporter shall use estimated volumes for that month. Estimated volumes shall be subject to correction on the next monthly invoice.

10.2 Payment.

On or before the twentieth (20th) day of any month in which an invoice is rendered, Shipper shall pay to Transporter, at the address shown in the Agreement or, if directed by Transporter, by wire transfer to a bank designated by Transporter, the amount due Transporter for services hereunder; provided, however, for any delay by Transporter in issuing a monthly billing statement beyond the tenth (10th) day of any month, then Shipper shall have a corresponding number of days beyond the twentieth (20th) day of the month to make such payment. If Shipper fails to pay the amount of any bill, or any portion thereof, invoiced hereunder by the prescribed due date, then interest on any unpaid portion of the bill shall accrue at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations.

If Shipper in good faith shall dispute the amount of any bill, Shipper shall nevertheless pay to Transporter the amount of such bill, and thereafter and until final determination which may be reached either by agreement or by judgement of the courts, as may be the case, Transporter shall be obligated to refund any principal amount either agreed upon or otherwise found by the courts to be overpaid by the Shipper, and such refund shall additionally include interest from the date of such overpayment to the date of refund computed at the lesser of the maximum lawful interest rate or the interest rate prescribed under the FERC's regulations. However, Transporter shall have the right to terminate service to any Shipper hereunder for any continued non-payment of any invoices rendered by Transporter.

10.3 Disputes and Adjustments for Billing Errors.

All statements, billings and payments, other than those related to Hub Taxes, shall be final unless questioned within twenty-four (24) months from the date of such billing, statement or payment. Any error so discovered as a result of a timely claim shall be corrected within thirty (30) days of the determination thereof.

10.4 Tax Reimbursement.

Shipper agrees to reimburse Transporter for all Hub Taxes that may be levied upon and/or be paid by Transporter, with respect to the services performed hereunder. Shipper shall be responsible for establishing any exemption from Hub Taxes and shall provide satisfactory evidence of such exemption to Transporter.

10.5 Charges or Fees for Report Filings.

Shipper agrees to reimburse Transporter for any and all filing fees or related charges incurred by Transporter for the filing of any report or reports with any governmental agency or other body, including the FERC, with respect to the nature and timing of any Hub Service specifically provided to the Shipper.

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Section 11. Possession and Non-Odorization of Gas.

Shipper shall be in exclusive control and possession of all gas, and responsible for any damage, loss or injury caused thereby, until such gas is delivered to and received by Transporter's Hub. After delivery of gas by Shipper to Transporter, and until subsequent redelivery of such gas by Transporter to Shipper or to any other designated Shipper, Transporter shall be in exclusive control and possession thereof and responsible for any injury, loss or damage caused thereby. Each party expressly notifies the other that the gas delivered hereunder is not odorized. In the event that either party, at its own election or pursuant to laws, orders, rules or regulations of any governmental body having jurisdiction, elects or is required to odorize the gas deliverable hereunder, then such party shall give prior written notice to the other of its intention to odorize such gas.

Section 12. Warranty.

Each Shipper hereunder warrants that it will have and maintain good marketable title or the right to deliver for a third party owning good and marketable title all gas tendered hereunder for service, including any transfer of ownership and title to other Shippers, and that such gas shall be free and clear of all liens and adverse claims; and each such Shipper further agrees, with respect to the gas delivered by it for service or for transferring title, to fully indemnify Transporter against any and all suits, actions, debts, accounts, damages, costs (including attorney's fees), losses and expenses arising from or out of any incorrect information provided by any Shipper to Transporter or any adverse claims of any and all persons to or against said gas. Pursuant to this Section 12, each Shipper shall fully indemnify Transporter against all losses, cost assessments or other claims brought by any party against Transporter with respect to volumes as to which Transporter provides Hub Service.

Section 13. Government Regulations.

All of the provisions of these General Terms and Conditions are hereby expressly made subject to all present and future applicable federal or state laws, orders, rules and regulations of governmental authorities having jurisdiction. Except as otherwise provided herein, in the event any provision of these General Terms and Conditions is found to be inconsistent with or contrary to any law, order, rule or regulation, the latter shall be deemed to control and these General Terms and Conditions, to the extent possible, shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

The parties hereto recognize that Transporter has entered into transactions hereunder based on its good faith understanding that all acts, obligations, and services performed or to be performed by Transporter hereunder, and the charges therefor, are exempt from the regulation of the FERC or any successor federal governmental authority, except as provided by Section 284.224 of the FERC's regulations. Transporter reserves the right to terminate immediately the offering or furnishing of any service hereunder if, in Transporter's sole discretion, any governmental act occurs which would require Transporter to offer or furnish firm service hereunder or which would cause any impairment in Transporter's ability to furnish or continue any service hereunder, or require Transporter to offer additional intrastate services.

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Section 14. Force Majeure.

In the event of either party being unable, wholly or in part, by reason of force majeure to carry out its obligations hereunder (other than by reason of a Hub Shipper's obligation to make payment of any amounts due and payable to Transporter), it is agreed that such party shall give notice and reasonably full particulars of such force majeure, by telephone followed with written confirmation by telephone facsimile transmission, to the other party within a reasonable time after the occurrence of the cause relied on, and the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended and canceled upon notice of such force majeure event. Notwithstanding the suspension of service, the party that suffers the force majeure shall make reasonable efforts to remedy the cause(s) thereof with reasonable dispatch.

The term, "force majeure", as used herein, shall mean acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws, orders, rules, or regulations; acts of public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; the necessity for making repairs, tests or alterations to machinery or lines of pipe; freezing of wells or lines of pipe; partial or entire failure of wells, processing, or gasification facilities; interruptions or failures of any upstream or downstream pipelines relied upon to effectuate any Hub Service; and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by exercise of due diligence, such party is unable to prevent or overcome. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the claiming party's discretion and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the claiming party.

Section 15. Notices.

Except as herein otherwise provided, any communication, notice, request, demand, statement, or bill which any party may desire to give to any other party shall be in writing and mailed by first class mail, or conveyed by telephone facsimile transmission with the signature of an authorized representative, to the address of the party intended to receive the same, as the case may be, at the addresses each respective party shall designate in the Hub Service Agreement or change by subsequent formal written notice to the other. With regard to any communication addressed to Transporter, and requiring any action including the authorization of service hereunder, Transporter shall have no obligation to investigate or interpret such communication any differently than as contained on the face of such communication or notice. Any routine communications, including monthly billing statements, may be mailed first class mail or conveyed by telephone facsimile transmission. Unless otherwise directed or notified, Appendix A of these General Terms and Conditions identifies appropriate contact personnel, mailing addresses and telephone numbers of Nicor Gas and of any agent which Nicor Gas may designate to administer the Hub Services hereunder.

Section 16. Creditworthiness.

Transporter shall not be required to commence service or, subject to the following, to continue to provide service under any Hub Service Agreement, Firm Storage Agreement, or any Hub Transaction Request and Agreement with a Shipper, that (1) when requested by Transporter to demonstrate creditworthiness, fails to do so in Transporter's reasonable judgement, including for the continuation of service in light of previous payment experience and changes thereto; (2) is or has become insolvent; or (3) has applied for bankruptcy under Chapter 11 of the Bankruptcy Code, or which is subject to similar proceedings under State or Federal law. However, nothing hereunder shall prevent Transporter and Shipper from entering into any mutually agreed upon arrangement or alternative method to establish Shipper's initial or continuing creditworthiness and/or to secure payment of any amounts due.

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Section 17. Miscellaneous.

- 17.1 Headings and Subheadings.** Any headings and subheadings contained in the Hub Service Agreement, Firm Storage Agreement or in the Hub Transaction Request and Agreement Form are used solely for convenience and may not constitute a part of the agreement between the parties hereto, nor should they be used to aid in any manner in construing such agreement between the parties.
- 17.2 Non-Assignment.** A Hub Service Agreement, Firm Storage Agreement, or Hub Transaction Request and Agreement entered into by and between Transporter and any Shipper shall not be assignable to any other party.
- 17.3 Entire Agreement.** The Hub Service Agreement, Firm Storage Agreement, or the Hub Transaction Request and Agreement, and these General Terms and Conditions shall constitute the entire agreement of the parties hereunder as to the matters contained herein, and there are no oral promises, agreement or warranties affecting same.
- 17.4 Non-Waiver.** The waiver of any default or right to require performance under the Hub Service Agreement or Firm Storage Agreement shall not operate as a waiver of any future default or right to require performance, whether of like or different character or nature.
- 17.5 Jurisdiction and Venue.** The parties agree that the Hub Service Agreement and any Hub Transaction Request and Agreement Forms effectuated hereunder shall be governed by and construed in accordance with the laws of the State of Illinois, and that venue shall be in Dupage County, Illinois, with respect to any cause of action brought under or with respect to the Hub Service Agreement or any Hub Transaction Request and Agreement Form.
- 17.6 Delegation of Administrative Activities.** Transporter reserves the right at any time to assign or otherwise delegate to any independent third party or a duly authorized agent any or all of the administrative duties associated with Transporter's Hub and its operations. Such administrative duties may generally include, but are not necessarily be limited to, the determination of service eligibility for any prospective Shippers hereunder, including creditworthiness, the processing of any service requests or nominations of service by Shippers hereunder, the authorization of such service requests or nominations, the posting of any rate discounts within the minimum and maximum rate levels allowable hereunder including any negotiations with Shippers regarding the applicable rates to be charged within such minimum and maximum allowable limits, the periodic monthly billing associated with the services supplied hereunder, and the collection of all amounts due and payable to Transporter by Shippers. No such delegation shall relieve Transporter of its obligations, if any, to a Shipper.
- 17.7 Confidentiality.** The terms of any Hub Service Agreement, Firm Storage Agreement, or any Hub Transaction Request and Agreement effectuated hereunder shall be kept confidential by the parties, including any agent to which administrative activities are delegated by Transporter pursuant to Section 17.6, except to the extent that any information must be disclosed to a third party required by law, for either party's financial needs, or for the purpose of effectuating service.
- 17.8 Term of Hub Service Agreements.** Subject to Section 2.130 and 2.140, unless otherwise agreed upon in writing, each Hub Service Agreement shall be in effect for a term of twelve (12) consecutive months commencing with the date of such agreement, and shall be automatically extended on a month-to-month basis thereafter, unless otherwise canceled by either party upon giving the other party not less than thirty (30) days' advance written notice of such cancellation.

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STATEMENT OF CURRENTLY EFFECTIVE RATES

Pursuant to Section 5.10 of Transporter's General Terms and Conditions, following is a statement of Transporter's currently effective maximum and minimum charges for service hereunder:

<u>Interruptible Transportation Service:</u>	<u>Maximum Per MMBtu</u>	<u>Minimum Per MMBtu</u>
Commodity Charge	\$0.0804	\$0.0000
<u>Firm Transportation Service:</u>		
Reservation Charge	\$2.4465	\$0.0000
Commodity Charge	<i>See add-on charges for fuel below</i>	
<u>Interruptible Storage Service:</u>		
Commodity Charge ^{1/}	\$0.0876	\$0.0000
<u>Firm Storage Service:</u>		
Deliverability	\$1.333 Per Month	\$0.0000
Capacity	\$0.0252 Per Month	\$0.0000
Injection Commodity	\$0.0000	\$0.0000
Withdrawal Commodity	<i>See add-on charges for fuel below</i>	\$0.0000
<u>Parking and Loaning Service:</u>		
Commodity Charge ^{2/}	\$0.168	\$0.0000
<u>Add-On Charges for Fuel:</u>		
Transportation Service	<u>3/</u>	\$0.0000
Storage Service ^{4/}	<u>3/</u>	

Transporter reserves the right to discount to levels below maximum charges on a non-discriminatory basis but not to less than the sum of any minimum charges including any add-on charge for fuel.

Footnotes:

1/ Daily charge applicable to positive or negative daily storage service balances.

2/ Daily charge applicable to each MMBtu parked or loaned.

3/ The maximum charge for fuel as determined in accordance with the method prescribed by Section 5.10 of Transporter's General Terms and Conditions. The charge for fuel shall be \$0.0000 unless incremental compression is necessary to implement a transaction. All charges for incremental fuel shall be based upon the full fuel cost incurred by Transporter.

4/ Any charge for fuel with firm or interruptible storage service shall be applied at time of storage withdrawal.

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GENERAL TERMS AND CONDITIONS**

Appendix A – Notices

For the purposes of Section 15 under Nicor Gas' Operating Statement and General Terms and Conditions governing Hub Services, all communications and notices to Nicor Gas should be addressed, as follows:

NICOR GAS

Chicago Hub
Attention: Manager of Hub Services
1844 Ferry Road
Naperville, Illinois 60563-9600

Mailing Address:

Post Office Box 190
Aurora, Illinois 60507-0190
Telephone: (630) 983-8676, extension 2503
Fax: (630) 983-4583

Any such communications may also be directed to Nicor Gas' agent designated to administer the Chicago Hub, as follows:

Nicor Enerchange, L.L.C.

Attention: Chicago Hub
Post Office Box 190
Aurora, Illinois 60507-0190

Telephone: (630) 575-9714
Fax: (630) 575-9768

**NORTHERN ILLINOIS GAS COMPANY d/b/a NICOR GAS COMPANY
RESPONSE TO:
ILLINOIS COMMERCE COMMISSION
DATA REQUEST
DOCKET NO. 01-0439**

ENG 1.48 Q. Nicor Gas' personnel verbally stated to Staff, during the September 13, 2001 Troy Grove site tour, that Nicor Gas intends to install the compression necessary to provide firm withdrawal service to Northern Border. Is it now Nicor Gas' intention to provide firm withdrawal service to Northern Border in Troy Grove expansion project?

ENG 1.48 A. Nicor Gas plans to offer, through the Troy Grove expansion project, firm withdrawal service on Natural. Currently, a storage contract is pending for such services. Nicor Gas may provide firm withdrawal service to Northern Border if the market demands it.

Responsible Party: Lonnie W. Upshaw

**Northern Illinois Gas Company
d/b/a Nicor Gas Company**

Response to:

Illinois Commerce Commission

Docket No. 01-0439

First Data Request

- POL-1.07 Q. Provide specific details regarding the Company's \$1 million PGA gas cost flow through, such as; which class of customers will receive the credit, the time period used for the flow through (i.e., monthly or annually), how it will be reflected in the monthly PGA filing and its impact on NICOR's PBR program.
- A. The Company would make adjusting journal entries that increase the amount of off-system revenues included in the PGA and reduce the Company's non-utility business revenues. The \$1 million annual adjustment amount would be recorded as \$83,333 per month beginning in the month the Company begins receiving revenues from the storage service. Any customer purchasing system supplies would receive the benefit of the net reduced gas supply cost charges. The Company would exclude the \$1 million adjustment from the PBR calculations so that the entire amount would directly benefit customers.

Company Witness: Albert E. Harms

**Northern Illinois Gas Company
d/b/a Nicor Gas Company
Response to:
Illinois Commerce Commission
Docket No. 01-0439**

POL 1.14 Q. Are there any operational constraints that limit the amount of gas that can be injected into or withdrawn from Nicor's on-system storage facilities? If so, please explain the nature of the constraints.

POL 1.14 A. Yes. These constraints include transmission line capacity; dehydration facilities; wells; compression equipment; gathering piping; reservoir volumes and reservoir pressure.

Company Witness: Lonnie W. Upshaw

**Northern Illinois Gas Company
d/b/a Nicor Gas Company
Response to:
Illinois Commerce Commission
Docket No. 01-0439**

POL 1.16 Q. Are there any operational constraints that limit the amount of gas that can be delivered to the Company's system through each citygate station or pipeline interconnection? If so, please explain the nature of the constraints.

POL 1.16 A. Yes. The downstream piping system pressure rating, the available upstream pressure, and the size of the equipment and capacity of the downstream system constrain the amount of gas that can be delivered to the Company.

Company Witness: Lonnie W. Upshaw

**Northern Illinois Gas Company
d/b/a Nicor Gas Company
Response to:
Illinois Commerce Commission
Docket No. 01-0439
First Data Request**

- POL-1.18 Q. Please refer to the example on pages 5-6 of Mr. Harms rebuttal testimony. Explain how the Company would accommodate the storage customer's 200 Mcf delivery if operational constraints on the storage field limited injections for that day to 800 Mcf.
- A. Mr. Harms' example, described on pages 5 and 6 and illustrated in Rebuttal Exhibit AEH-3 (which will be revised to coincide with the referenced testimony) is a simplified description of how displacement works. The operational limitation assumed in the above question would be addressed by appropriately scheduling purchases and injections within the context of operational limitations. In this example, and as an operational matter, the Company would not schedule injections at the operational constraint level.

Company Witness: Albert E. Harms

**Northern Illinois Gas Company
d/b/a Nicor Gas Company
Response to:
Illinois Commerce Commission
Docket No. 01-0439
First Data Request**

- POL-1.20 Q. Please refer to the definition of displacement on pages 5-6 of Mr. Harms' rebuttal testimony. Provide any citations or support for Mr. Harms' definition of displacement.
- A. Mr. Harms is defining "displacement" as that term is used by the Company. No citation or other support was relied upon, as the reason for defining the term in Mr. Harms' testimony was simply to explain what Nicor Gas means when the term is utilized.

Company Witness: Albert E. Harms

**Northern Illinois Gas Company
d/b/a Nicor Gas Company
Response to:
Illinois Commerce Commission
Docket No. 01-0439
First Data Request**

POL-1.22 Q. Please refer to page 8 of Mr. Harms' rebuttal testimony. Do the Company's delivered supply costs differ across sources?

A. Yes.

Company Witness: Albert E. Harms